CHAPTER 8
Concluding Observations

In 1980 Ronald Reagan asked the American people a seemingly simple question: “Are you better of today than you were four years ago?” His audience gave their answer in a big ‘no’, despite the fact that gross domestic product in America has increased substantially over the period (Osberg and Sharpe 2002, p.291).

The idea behind these lines is clear and stated in simple terms that production of more goods may not mean betterment for people. Though, the inadequacy of larger amount of goods to improve well-being of people has been recognised widely, higher order of production of the same has remained top priority of all the policy makers. The highest priority attached to economic growth may be attributed to the lack of a complete satisfactory theory of welfare which can provide a link between theory and measurement. The developments in welfare analysis reveal abundance of theoretical contents whereas emphasis on the measurement part has rather been scanty. Slesnick (1998) observed that the weakness of the welfare analysis, ‘while centrally important to many problems of economic analysis, confusion persists concerning the relationship between commonly used welfare indicators and well-established theoretical formulations’. Even the theoretical aspect faced an impasse in terms of impossibility theorem of Arrow (1963). In the midst of the slow progress in welfare analysis economic growth remained on the watchlist of analysts. The major challenge to growth came from the concerns about sustainability of the environment which have been so strong that analysts predicted collapse of the system by 2030 (Meadows et al 1972). Another
The major criticism of the existing growth process is that it dangerously ignores human needs. The economic growth in most cases is profit driven which is sustained by an indiscriminate consumerism. A large part of consumption takes place in the form of positional goods and the needs fulfilled by such a process could hardly be called genuine needs or the needs, which could be called welfare increasing (Hirsch 1977, Galbraith 1958).

It increasingly recognised that welfare analysis should take into account the nature of human needs. An appropriate classification of human needs and understanding of their importance is crucial for welfare analysis. It has been argued that after fulfilment of basic needs, human beings tend to seek the fulfilment of needs which are aimed at improving one’s status in society. By very nature of these needs, it is not possible to increase the welfare of all individuals as the status related needs cannot be fulfilled for all individuals. In such type of cases satisfaction of one individual implies dissatisfaction for other individuals. Once the nature of human needs is analysed and considered for welfare analysis, it will be possible to use the economic resources prudently. In the absence of a distinction between various needs of human beings, all the goods and services are regarded as welfare improving.

The growth mania continued to influence and gave direction to policy makers despite the well recognised limitations of economic growth. The prim position was maintained by economic growth partly because of economists’ love for objectivity or cardinal measurement and amount of goods and services which represent objective well-being continued to be the major concern of policy makers. The subjective component of well-being came into prominence with the growing concern and recognition that increase in production of goods and services does not directly convert into
an increase in well-being or in other words the relationship between income and subjective well-being is not direct and automatic. Easterlin (1974) triggered the research in subjective well-being which is measured mainly in terms of satisfaction and happiness. Frey and Stutzer (2002) systematically put in shape the importance of research in happiness and its relevance for policy purposes. Along with happiness, life expectancy is considered to be another important indicator of well-being (Sen 1998). In addition to these two indicators, well-being measurement is analysed with the help of other indicators as well (Dasgupta 1993).

The present study proposed to analyse well-being with the help of two indicators i.e. happiness - representing subjective well-being; and life expectancy – representing objective well being. A large part of research on happiness and life expectancy focused on analysing their determinants. There is, however, hardly any consensus as to how well-being may be improved. Measurement has always been a crucial aspect of economic analysis and it becomes more so when economic analysis involves subjective variables. The problem of measurement has been the main hurdle in analysing subjective well-being. In practice, subjective well-being is analysed with the help of variables like happiness and satisfaction. There is no measuring rod for these variables, however, there have been continuous efforts towards their measurement. For instance, psychologists often draw conclusions on the basis of happiness or satisfaction measured on a verbal or numerical scale. In the absence of any other measure, economists have acknowledged the need and relevance of these measures for economic analysis as well.

It is widely acknowledged that an individual can best measure happiness for himself only. This involves a judgement by a person about
various aspects of his life taken together. Happiness is ascertained through questionnaires asking individuals to indicate their happiness levels. The experimental studies have indicated that the responses regarding happiness or satisfaction are consistent and can be used for analytical purposes.

The economic analysis of well-being is aimed at ascertaining the factors which contribute to happiness. One of the most important variables to influence happiness from the economists' point of view is income of an individual. Cross-section evidences indicate a positive relationship between income and happiness. Time series data on happiness, however, shows no relationship with income. There are several empirical studies explaining the lack of relationship between income and happiness over time and at the same time examining the relationship of happiness with other factors which are considered to be important for happiness.

The analysis of happiness in the present study reveals that individuals living in rural areas are less happy than those living in urban areas but the difference is not significant. Males are happier than females but again the difference is statistically insignificant. The difference between happiness level of employed and unemployed group has also been found to be insignificant. The level of happiness has been observed to be declining with the age of an individual though satisfaction in general has shown positive association with age.

The empirical exercises in the present study indicate that income is a significant determinant of happiness level. But the impact of income is on account of other factors, which are not economic in nature in the strict sense. The economic security, for example, emerges as a statistically
significant variable to influence the level of happiness. The income level turns out to be statistically insignificant when examined along with economic security in the regression equation. This means that income is important to the extent it provides economic security to an individual and it has been observed that even at relatively low levels of income the perceived economic security is high.

In some of the studies the word happiness and the satisfaction have been used as synonym to represent the level of subjective well-being. The noteworthy thing, however, is that the satisfaction with per capita income when taken alone explains a substantial proportion of the variation in happiness as compared with that explained by the absolute level of income. The difference in the explained proportion of the variation in happiness implies that it is the perception about income which is important rather than the absolute level of the same. And the perception depends on several factors other than income.

Satisfaction with more than 10 domains of life was considered to be important for happiness. It was found that the satisfaction with married life and children has the second largest coefficient preceded by the coefficient of satisfaction with financial position. Being married was an important factor to influence the level of happiness which was reflected by a very high coefficient of the dummy variable for marriage. This may be seen in the light of average level of satisfaction with married life, which was shown to be very high in the sample. The ordinary least squares estimate of the dummy variable for marriage indicates that marriage increases the happiness of an individual by one point on a scale of 0-10. The high coefficient of the dummy variable for marriage may be seen in the context of the fact that the sex ratio in the region of survey is low. It was learnt from
the general observation that the eligible males are finding it difficult to get married in general. In such an event, it is natural that marriage has a significant influence on happiness.

The satisfaction with education showed negative association with happiness but the coefficient was statistically insignificant. It may be noted that majority of the respondents has indicated high contribution of education to their financial position. And income itself turned out to be less important in several specifications.

The satisfaction with one’s health contributes positively and significantly to happiness. The satisfaction with friends, neighbours, and relatives was also found to have no significant influence on happiness. The availability of time for leisure contributes positively to the level of happiness. The individual having benevolent attitude is expected to be happier. The time spent on the hobby and other entertainment activities was found to be associated with happiness in a statistically insignificant manner. The lack of association, however, may be due to inadequate understanding of the term hobby for many individuals. The faith in God was found to have positive and statistically significant association with the level of happiness.

The cause and effect of these variables may not be as straightforward as one may expect. For example, it is possible that happy people happen to be more benevolent. Or it is also possible that the actions done in benevolence are a source of satisfaction and happiness for an individual. It, however, has been acknowledged, following Veenhoven (1984), that the present study is based on the assumption that happiness is effect of several factors involved in the discussion.
The comparative position of an individual is considered to be a crucial determinant of happiness. In economics, the use of comparative position of an individual as an analytical tool is a frequent practice. The ‘demonstration effect’ is a well analysed and discussed phenomenon in economics. Hirsch (1976) explained how the tendency of making comparisons makes individuals to run after ‘positional goods’ and how the nature of these positional goods makes economic growth a welfare neutral or welfare reducing phenomenon. The findings of the present study, however, do not support the argument that a large part of welfare depends on comparative position of an individual. It was found in the present study that the comparative position of an individual regarding various domains of life does not play a significant role in happiness. Though, the comparative satisfaction with married life, relatives, friends, and education was found to affect the level of happiness positively in a statistically significant manner, the comparative position regarding financial position of an individual, in contradiction to several findings in economic literature, was found to have no significant influence on happiness. The comparative position of an individual regarding economic security plays a crucial role in determination of happiness. The comparative position regarding home, health, and social status also showed no impact on happiness in the present sample. The overall comparative position of an individual was found to have insignificant impact on happiness.

The fulfilment of expectations regarding social and economic aspects was found to have significant influence on happiness. Similarly, the change in financial and social position was also found to influence happiness positively and significantly. The income turned out to be insignificant when introduced with fulfilment of financial expectations. The
insignificance of income when examined along with fulfilment of financial expectations again indicates the indirect effect of income on happiness. This means that absolute level of income in itself is not important but expectations about income and fulfilment of the same is. The importance of fulfilment of expectations in turn indicates the relevance of other factors which influence the level of expectations about income. Praag (1996) argued that the individuals with higher level of income, when asked about a sufficient level of income, indicate a higher level of income to be sufficient when compared with the level of income considered to be sufficient by individuals with lower level of income.

The literature in economics indicates that the change in economic or social conditions of an individual is a major factor in determining the behaviour of economic agents. The 'ratchet effect' explains that the downward change in consumption does not follow the fall in income in the same manner. This means that any reduction in financial or social position of an individual will cause unhappiness and positive change in these conditions will increase the level of happiness. The findings of the present study reveal that change in economic conditions or financial position of an individual has statistically significant influence on happiness. The change in social status, on the other hand, showed no association with happiness. It may, however, be noted that the influence of change in financial position is relatively small.

Regarding the objective measure of well-being, it may be said that life expectancy is an important indicator of well-being in the sense that longer life has an intrinsic importance, as evident from the much shared desire to live longer. Longer life enables an individual to achieve the objectives one might have set for oneself and also being alive is a
necessary condition for our capabilities (Sen 1998). The life expectancy could also be used to assess the health status of an individual. Though, there are other ways of assessing health status, life expectancy may be preferred, as other methods, mostly direct methods based on surveys, have several limitations. The general perception about the positive association between span of life and the economic prosperity is not completely true. There are several other factors, which may not move along with income in an automatic fashion, having influence on life expectancy. The preliminary findings of the present study reveal that a majority of the people believe that death could not be avoided with the help of higher level of income. However, death could have been avoided in about 36 per cent of the cases had the income and adequate medical facilities been available to the deceased. This means that higher level of income and prudent use of the same could lead to substantial improvement in life expectancy and the level of well-being.